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Agenda Item 7

PREPARATION OF A SUCCESSOR AGREEMENT TO THE INTERNATIONAL SUGAR AGREEMENT, 1987

Statements by South Africa, Cuba, Mexico, Japan, Peru, Australia, Argentina, Brazil, Colombia, India, United States of America, Mauritius, European Economic Community, Thailand, Dominican Republic and Jamaica at the final plenary meeting, on 20 March 1992 */

*/ Issued in extenso at the request of delegations participating in the Conference. The statements are set out in the order of their delivery.

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SOUTH AFRICA

My delegation believes that this Agreement is something which we can recommend for our country to accept and we will be very happy to do so. We wish to enter one observation concerning one big disappointment that we have arising out of the Conference, which is that members who are delinquent in paying their contribution promptly are costing other members 17 pounds a vote at the present time.

CUBA

We would like to take this opportunity to make a statement, a general comment, on the agreement whose text we have just adopted and to say that we also plan to commend this text to our Government for approval. We think it is significant that this Conference is being held only a few days after the close of UNCTAD VIII in Cartagena, where all the participants concluded that a new spirit of world cooperation had been displayed which would enable the problems of development to be tackled with a new and fresh approach bringing positive results within a more or less acceptable period of time. We think we can conclude that this Conference, held only a few days after the end of UNCTAD VIII, is a good demonstration of this spirit of cooperation which we must sustain in order to try and reach the development objectives which we and many other countries think it necessary to achieve. Although this is an administrative agreement, it is nevertheless a framework for cooperation among countries. We hope that this agreement and the International Sugar Organization will eventually enable us to attain other forms of cooperation which will contribute to the enhanced development of the world sugar economy, better participation by all countries in that economy and the achievement of positive results for all members.

MEXICO

We would like to convey to you our appreciation for the efforts you have made in the budget area to try and reach an agreement that is satisfactory for all parties concerned, efforts which constantly modified the indicators and percentages serving as a basis for apportioning contributions between the member countries of the Organization and which some times gave us the impression that we were involved in a bargaining session in some Middle East market. However, notwithstanding all these negotiations, my country's contributions underwent an increase of more than 150 per cent, certainly the highest in the list of contributions.

The delegation of Mexico did not oppose the decision just adopted by the Conference, but it wishes specifically to place on record its reservation regarding article 25 of the agreement, concerning the schedule of contributions to the Organization, and to state the following:

By virtue of provisions of the Mexican budget authorities, reflected in the Expenditures Act, the rule applicable to financial contributions to international organizations is zero growth.

This provision is general in character and application, which does not mean that my Government does not understand the special features of the determination of contributions to bodies such as the International Sugar Organization which are based on the distribution of votes that in turn are based on the participation of a given country in the trade. However, the system of austerity, rationality and management applicable to expenditure makes it virtually impossible to change the general rule, particularly in the present case, when it is proposed to increase our contributions to the Organization by some 150 per cent.

Furthermore, Azúcar S. A., the organ responsible for meeting Mexico's financial obligations to the International Sugar Organization, is included in the programme of disincorporation. Azúcar S. A. is not currently in a position to assume additional obligations on behalf of third parties (governmental or other bodies) which will be responsible for Mexico's participation in the Organization once this enterprise has been privatized.

In any event, the Mexican Government will assess the results of the Conference and the scope and importance of the new international agreement, and will take the relevant decisions at the appropriate time.

JAPAN

The delegation of Japan notes that the International Sugar Organization shall have international legal personality under Article 6 of the International Sugar Agreement 1992. It is our understanding that the International Sugar Organization shall have the capacity to exercise its functions to the extent that, in the territory of a member, such functions are exercised in accordance with the laws and regulations of that member and, in particular, the capacity to enter into contracts, to acquire and dispose of movable property and to institute legal proceedings.

PERU

With respect to the text just adopted by consensus concerning article 25 of the agreement and in particular the annex thereto, the delegation of Peru must say that it recognizes the great effort made to arrive at an equitable solution satisfying all the parties. However, I should state that the increase in my country's contribution does not seem to be an accurate reflection of Peru's situation in regard to the international sugar market, since this contribution is very high. Despite this, the delegation of Peru did not oppose the consensus on article 25 and its annex, but it must submit this article and its annex to the Peruvian authorities for approval.

With regard to article 26, paragraph 3, my delegation wishes to make a brief interpretative statement to the effect that, if the Council decides to adopt a decision by special vote in relation to members who have not paid their contributions for two years, an identical decision should be adopted for each and every one of the member countries that are in the same situation as the country concerned.

AUSTRALIA

I know that the President has had a very difficult task in trying to reconcile the different views and perceptions of delegations at the Conference, in particular in coming up with a result on the budget contributions which does not cause major problems for any delegation. The result that the Conference has come up with on budget contributions involves a large increase in the contribution for Australia.

As I indicated in my opening remarks at the Committee of the Whole, Australia is looking for an outcome from the Conference that would result in no net increase in our budgetary contribution to the International Sugar Organization (ISO). We hope that this position can still be met. The Executive Director of the ISO has, in ISO working paper 92 (1), identified potential cost savings in the ISO budget of 153.000 pounds per annum. We consider it appropriate that savings at least of this order are now made to the budget of the Organization.

I therefore think that the budget figures arrived at may be acceptable to my authorities as long as the ISO budget is cut by at least 100,000 pounds in 1993 and by at least a further 50,000 pounds in 1994. The actual cuts will, of course, need to be approved by members of the Organization, including those who are also members of the International Wheat Council. I expect that my authorities will want to see concrete progress on these budget cuts before it considers the question of ratification of the new Agreement.

We consider that it is imperative that the next Council meeting in May 1992 addresses the very serious financial crisis that is facing the ISO and finds a way of dealing with this situation.

Finally, while the President will no doubt feel that the task we gave him this week has been a very difficult one, we would hope that he feels that it has not been a thankless one. That task has, I think, been assisted by the open, frank and conciliatory spirit in which delegations have approached this Conference. I will be happy to commend the new Agreement to my Government, subject to the qualifications I have mentioned.

ARGENTINA

The Argentine delegation wishes to make an interpretative statement on article 26, paragraph 3. In this connection, the Argentine delegation considers that, if the Council decides to adopt a special decision which involves taking any of the actions mentioned in that paragraph in respect of a member country, an identical decision should be adopted for each and every one of the countries that are in an identical situation to the country concerned.

BRAZIL

My delegation has an interpretative statement to make on paragraph 3 of article 26. It is the understanding of the Brazilian delegation that a decision by the Council on the suspension of membership rights of a member country can only be taken on the basis of the extension of an identical treatment to each and every country in the same situation.

COLOMBIA

My delegation again wishes to congratulate the President and the secretariat for their efforts, which made it possible to overcome differences and establish a common basis for the adoption of the full text of a successor agreement to the International Sugar Agreement, 1987. Like other delegations present here, we will recommend the adoption of the results of this Conference - the first which gives practical application and continuity to the spirit of Cartagena that characterized UNCTAD VIII and will guide follow-up action.

INDIA

My delegation would like to place on record its deep appreciation and gratitude for the tremendous effort made by the President in working out this draft. I know how difficult his task has been in accommodating all points of view, especially with regard to the article on budgetary contribution. We are reasonably satisfied with the draft as adopted and I should be able to recommend it to our Government in New Delhi for acceptance.

UNITED STATES OF AMERICA

The United States joins other delegations in expressing its appreciation for the work undertaken by the President, the secretariat, and delegations in working towards an Agreement that could be acceptable to all. We have been impressed with the spirit of cooperation evident, not only during the last few days, but throughout our deliberations in London during the past year.

Undoubtedly, much has been accomplished. We have come up with an Agreement that has been considerably strengthened and one that more adequately reflects where most members want this organization to go in the future. Of course, this effort has required compromises from most of us. For our part, we came here hoping to be able to negotiate an acceptable agreement, and have made every effort to achieve one that best serves the long-term interests of the Organization and all its members.

In getting this far, the United States clearly has had to make compromises in relation to its original goals. For example:

- While we continue to believe that the ISO should be transformed into a formal study group - the mechanism that best equates desired benefits with realistic costs and responsibilities - we have accepted an organization which still falls short of a true study group and lacks its name;

- We came seeking elimination of all references to a future agreement with economic provisions, but in order to achieve broad consensus, have accepted one continued reference to this possibility;

- For different reasons, we also sought elimination of the Agreement's objective of encouraging increased sugar consumption, but in the end agreed to compromise language retaining the concept;

- We accepted references to joint projects with the Common Fund - even though we continue to think they detract from what the Organization should be focusing on;

- We also arranged to join a consensus on a measure which could in effect penalize members in long-term arrears by depriving them of the rights of membership.

I will stop there because I know many other members have also made their own compromises. The point I want to emphasize, however, is that the United States has approached these negotiations with an open spirit and with full desire to reach consensus on a sound agreement which could establish a firm foundation for the organization and its members well into the twenty-first century.

There are some issues, however, that are very important to us and on which my Government's instructions are clear and firm. Foremost among these, is the contribution formula and how it is delivered. We came seeking a formula for votes and contributions which clearly relates the financial responsibilities of members with those benefits of membership which they consider important. A major reason why it has proved so difficult to reach a satisfactory compromise is that we continue to be haunted by the inequities and rigidities engrained in past Agreements, notably that of 1987. We consider it important that this new agreement should not be hobbled from the outset by yet another solution which basically perpetuates the unfairness and inequities that continue to dog us.

The President has presented, on a "take-it-or-leave-it" basis, a contributions list in which the bases and criteria for the calculation of votes is not disclosed. We appreciate his predicament and that of the secretariat and - while not agreeing - understand why they feel such an approach is necessary. It is with considerable regret that I must report that the United States cannot agree to this solution.

Among the issues that we consider extremely important - a deal breaker, if you will - is the need for a transparent formula that clearly links the benefits with costs. The only way to do this, we feel, is by using a formula that is clearly based on each member's relation to the overall sugar market - be that exports, imports, production, consumption, etc. We were willing to consider and proposed formula based on combinations of these criteria. What we cannot accept is a solution that arbitrarily distributes the burden of membership. We continue to insist on this point because we believe that a transparent formula is at the heart of the reform process that is necessary for the ISO.

If each member is allocated a budget contribution and votes that are in line with its sugar market participation, and therefore with the benefits which that member hopes to obtain from the Organization, there will be incentive for all members, not just those making the largest contributions, to insist on an efficient Organization sized appropriately for the functions that members consider vital. This is a policy that the United States has followed in all commodity organizations to which it belongs and it is one that our Government will continue to follow in the future.

It is with considerable sadness that we have concluded that the Agreement that has been reached is not one to which we can agree and that therefore the United States will not remain a member of this Organization after the current Agreement expires. I want to emphasize with all sincerity, that we came here hoping to have a different conclusion, but that appears not to be possible.

Under any of the formulas that were presented for consideration during this Conference, the 15 smallest exporters currently members of the ISO would retain the same number of votes - and should benefit substantially from the cost saving we have been able to achieve.

The ability to come up with a formula satisfactory to all members has been hampered by the refusal of many members to consider any factors other than trade and "ability to pay" (by whatever term it is called).

But changes in the world sugar economy over the past couple of decades have led to a situation where only 15 percent of world sugar is traded internationally. Completely leaving out any references to production or consumption leaves a very small base for calculating the distribution of the cost of supporting an organization whose work is important to the whole sugar economy - not just the part that engages in international trade.

We sincerely regret that members who extol the value of this Organization and Agreement were unable to summon the will to establish a clear, open, and rational financial foundation for its operation. We think that this failure will come back to haunt this body in coming years.

Deciding what is or is not the bottom line or sine qua non for being able to accept this Agreement has been a difficult decision for my Government. However, it is clear that once that bottom line has been reached, my Government is not disposed to review or reconsider its decision.

I want to emphasize that our strong efforts to achieve a satisfactory settlement were made despite the lack of a constituency in Washington for continued membership in the ISO. As I have underlined on numerous occasions, there are no strong supporters in our Administration or Congress for United States membership in commodity organizations as a whole. In contrast, there are powerful elements who strongly question the value of such membership.

There has been considerable speculation in the corridors of this Conference about the possibility, should the United States not be able to join the new Agreement, of reconvening in a further attempt to achieve consensus. Let me make perfectly clear that, given the inability to reach a successful conclusion this week, the United States sees no value in, and cannot agree to participating in, a new set of expensive, time-consuming, and probably futile negotiations.

MAURITIUS

In spite of the increases which are shown in the contributions for my country and the cost bottom line that it would involve, and subject to what I said this morning about studying the list of participants, I wish to say that I shall recommend to our authorities this Agreement as being the best possible in the circumstances. In so doing, I would like to pay tribute to the way in which the work of this Conference has been conducted and I would say that it must be the unanimous opinion in this room that the work would not have been completed in time if our Conference had not been so ably chaired.

BRAZIL

My delegation has taken note of the United States statement. We deeply regret that the United States Government has decided not to join the International Sugar Organization for reasons that we can understand. It is clear that the non-participation in the Organization of a major player in the world sugar economy will have a serious impact in so far as its viability is concerned. This aspect and its implications will be very carefully considered by the Brazilian Government

EUROPEAN ECONOMIC COMMUNITY

I would like to add the words of the Community in congratulating the President on the way he has run this Conference. I regret only that we have not been able to achieve the 100 per cent success which we had hoped could be achieved. I am not going to make any comments about the statement by the United States other than to say I do not, in any way, accept the analysis which the United States has given of the way the negotiation has been going, both here and in London, over the last few months. It is not enough just to say that we were right and everybody else was wrong; that is not acceptable. I think the Agreement that we have put together is the sort of agreement that can give a very adequate forum for exchanges of views and consultations and studies of the world sugar economy and I think that, in itself, will make it an instrument of some value, but the value will depend entirely upon the members. I note Australia's insistence on further cost cutting and obviously nobody wants to pay more than they have to in order to get what they wish to obtain and we only hope that we always obtain something that is really worthwhile and at the end of the day are prepared to pay for it.

The Community, it will be noted, is accepting in this Agreement a very considerable increase in its financial contribution. We have analysed the situation and we are prepared to accept that if you export sugar and if you import sugar and you do more than many countries would like you to do, you have to pay the price. I think those countries that found that their contributions are going up more than they would have liked, will see that it is because they are earning more than they were earning before, because they are exporting more sugar and it is thus a natural consequence. What is perhaps less satisfying for the world sugar economy is that there are other countries that are importing less and less and are being rewarded by paying less. This is one of the anomalies of the system. I do think that this Agreement is a perfectly adapted Agreement but I do not see any reason why it should be rejected. I regret very much that the United States has rejected it

and I am rather disquieted by the statement of Brazil, which I understand from the Brazilian point of view. But I really hope that the United States attitude does not lead to a haemorrhage which could bleed the new Agreement to death.

I think it would really be quite deplorable if we killed off this Agreement because the United States was not prepared to accept a formula for voting + contributions. We all like wine and we have to drink water, but sometimes you've got to put them together and drink them together, and I think it is a pity the United States hasn't been able to consume this particular bottle because we put more United States water into this Agreement than apparently was necessary. We thought we were going to achieve what we were trying to achieve, but I really hope, despite what the United States has said, that, at the end of the day, the United States will be back with us.

THAILAND

First of all I would like to join the other speakers in expressing our appreciation for the President's exemplary effort to guide this Conference to a successful conclusion. I know how difficult it has been for him to come up with the allocation of votes for Article 25 which we have adopted. In the annex to this Article, Thailand has been allocated the third largest increase in terms of the number of votes, so it should be no surprise that we are not happy with the contribution formula and its result. We feel it is neither fair nor equitable.

In the spirit of compromise and goodwill, my delegation has gone along with the adoption of the Agreement, including the annex to Article 25. We note with regret that the United States delegation will not find it possible to remain a party to the new Administrative Agreement. We share the view that the United States will be able to reconsider its position. As far as my delegation is concerned, we will recommend to our Government the approval of the new Agreement and proceed as appropriate to its ratification.

DOMINICAN REPUBLIC

My delegation joins the other delegations that have already spoken in congratulating the President on his intensive efforts in the recent negotiations. Despite the decline of our sugar industry through the loss of income from sugar exports and some reservations in regard to financial contributions, I shall recommend to my Government the adoption of this text of a successor agreement to the International Sugar Agreement, 1987.

JAMAICA

The Jamaican delegation would also like to state that it is satisfied with this Agreement and that we intend to recommend it for approval by our authorities. We would like to place on record our appreciation for the leadership shown by the President in this Conference and for his special efforts in achieving the results obtained.